

because Canada and Denmark appear to have diverted pork products to Japan that were originally destined for the U.S. The extent to which Japanese pork imports slow as a result of the safeguard will strongly influence the amount these countries ship to the U.S. in the second half of 2001.

Live hog imports into the U.S. are forecast at 5.3 million head for both 2001 and 2002, compared with 4.36 million head in 2000. The rapid evolution of both a feeder-pig export sector in Canada and a hog-finishing sector in the Corn Belt states that was traditionally run as farrow-to-finish operations, is stimulating imports.

Continued expectations for low feed prices are also contributing to higher imports. Live hog imports from Canada during the first half of 2001 were almost 2.5 million head. **AO**

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## **Livestock, Dairy, & Poultry**

# **Mandatory Price Reporting for Livestock Industry**

**L**ivestock packers and importers whose operations exceed certain levels must now report detailed information to USDA on price, quantity, and characteristics of livestock they buy and sell. April 2, 2001 marked the first day of implementation of USDA's Mandatory Price Reporting (MPR) system, mandated by the Livestock Mandatory Price Reporting Act of 1999.

The law was a government response to demand by livestock producers for more information on meat industry prices. The purpose of MPR is twofold: to provide all livestock producers with timely market information to enable them to operate successfully in a recently changed economic environment, while also meeting consumer demand for meat and meat products.

MPR applies to packer purchases of cattle, hogs, and sheep, as well as to prices of boxed beef, boxed lamb, and carcass lamb. USDA requires federally inspected processing facilities to comply with the MPR reporting schedule if average annual slaughter over the preceding 5 years reached 125,000 head for cattle, 100,000 head for hogs, or 75,000 head for lambs. The MPR system requires cattle packers to report specific price and quantity information twice daily. Hog packers must report three times per day; lamb processors report once daily. All livestock packers supply a weekly summary.

USDA had been reporting market price information through its Market News system, but MPR differs in several important ways. Participation in the Market News system was voluntary; MPR is not. MPR

also requires reporting of price and quantity information in much greater detail. Under MPR, packers must report the terms of sales made through markets other than traditional public markets. In keeping with recent structural changes in the U.S. meat/livestock industry, MPR focuses on negotiated private purchases and formula and contract sales. Packers must report specific terms of formula and contract purchases, thereby revealing information previously treated as proprietary.

Livestock marketing has evolved from pricing on the basis of live animals to a basis of quality incentives assigned to the characteristics of carcasses, as well as to specific carcass measurements. MPR takes account of this evolution, and requires packers to report full schedules of quality premiums and discounts paid for carcasses according to their quality characteristics, such as age, fat content, and marbling.

The meat/livestock industry itself has evolved over the past 20 years and is characterized by fewer, larger packers and fewer, larger producers. Vertically coordinated/integrated production by contractual arrangements enables steady supplies of uniform animals. This, in turn, facilitates the supply of meat products bearing specific characteristics desired by consumers.

Many small independent livestock producers, who continue to market small numbers of animals through spot markets, point to the restructured industry as a justification for MPR. In fact, the Mandatory Price Reporting Act of 1999 was con-

ceived when small producers successfully argued that proprietary price information contained in production and marketing contracts was not publicly available and therefore did not fully provide transparency in the market place.

After several startup delays, USDA implemented a schedule of 56 daily and 35 weekly livestock and meat reports covering national and regional prices and quantities. Six weeks after startup, an understating of cutout values for beef carcasses and primals (the major components of carcasses) became apparent. The cause of the underpricing was identified as a software programming error, and has been rectified.

Frequent interruptions have also occurred in the MPR reporting schedule, reflecting the difficulty of protecting respondent confidentiality in an industry dominated by a few large firms. The Livestock Mandatory Reporting Act requires that information obtained by the MPR program be released to the public only if the identity of a respondent is not disclosed and the information conforms to aggregation guidelines established by the Secretary of Agriculture. In implementing the new law, USDA first adopted a set of standards used widely by government data collection agencies to ensure respondent confidentiality. The guideline, often termed the "3/60 Rule," states:

"Submitted information will only be published by USDA if: (1) It is obtained from no fewer than 3 packers... representing a minimum of three companies; (2) the information from any one packer... represents not more than 60 percent of the information to be published...."

Because the structure of the U.S. livestock/meat industry has evolved toward fewer, larger packing firms, and data are

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collected for transactions conducted during a very short time period, the provisions of the 3/60 Rule are frequently not met. A finding of the USDA review of the MPR system was that the confidentiality rule constrained the amount of information released.

To replace the 3/60 Rule, the Agricultural Marketing Service (AMS) developed a "3/70/20" confidentiality guideline that focuses on reporting patterns over time rather than at a single point in time.

The 3/70/20 guideline specifies that:

- for each type of report (national or regional), at least three companies would have to submit data 50 percent of the time or more over a 60-day period;
- no one company can account for 70 percent or more of the cumulative market volume for any individual report over a 60-day period; and
- in cases where only one company submits data for individual reports, this company can not be the sole reporting entity more than 20 percent of the time during a 60-day period.

AMS compared the two rules and determined that, under the 3/60 Rule, 30 percent of all scheduled daily cattle and swine reports were withheld from publication. In contrast, fewer than 2 percent of these same reports would have been withheld from publication using the 3/70/20 guidelines.

The Livestock Mandatory Price Reporting Act of 1999 also contains requirements for enhanced reporting of U.S. retail prices, and monthly rather than quarterly releases of the USDA *Hogs and Pigs* report. As a package, the law aims to increase the quantity and quality of timely public market information to help all producers make better production and marketing decisions in order to meet consumer demand for quality meat products.



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### Upcoming Reports—USDA's Economic Research Service

The following reports are issued electronically at 3 p.m. (ET) unless otherwise indicated.

#### September

- 6 *Fruit and Tree Nuts Outlook\**
- 12 *World Agricultural Supply and Demand Estimates (8:30 a.m.)*
- 13 *Cotton and Wool Outlook (4 p.m.)\*\**  
*Oil Crops Outlook (4 p.m.)\*\**  
*Rice Outlook (4 p.m.)\*\**
- 14 *Feed Outlook (9 a.m.)\*\**  
*Wheat Outlook (9 a.m.)\*\**
- 20 *Tobacco Outlook*  
*Agricultural Outlook\**
- 24 *Fruit and Tree Nuts Outlook\*\**
- 25 *Foreign Agricultural Trade of the United States (FATUS)/U.S. Agricultural Trade Update*  
*Agricultural Income and Finance Situation and Outlook\**
- 26 *Livestock, Dairy, and Poultry Situation and Outlook (4 p.m.)*
- 27 *Sugar and Sweetener Situation and Outlook\**

\*Release of summary, 3 p.m.

\*\*Available electronically only

### In upcoming issues of *Agricultural Outlook*

- ◆ Outlook for the cattle industry
- ◆ Farmers and e-commerce
- ◆ Agricultural exports in 2002